

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish
Policies and Rules to Ensure Reliable, Long-Term
Supplies of Natural Gas to California.

Rulemaking 04-01-025
(Filed January 22, 2004)

**ASSIGNED COMMISSIONERS' RULING REVISING THE
SCHEDULE FOR PHASE II TO RECEIVE TESTIMONY
AND EVIDENCE ON GAS QUALITY ISSUES**

The first issue identified in our Scoping Memo for this proceeding (issued in a ruling dated February 28, 2005 and revised in a ruling dated May 11, 2005) is, "Should the natural gas quality specifications for California be revised, and if so, how?" On February 17 and 18, 2005, in conjunction with the California Energy Commission, the Air Resources Board, and the Division of Oil and Gas, this commission hosted a workshop on natural gas quality specifications. The Energy Division produced a workshop report, released April 4, 2005, and many parties filed comments in response to the report on April 25, 2005.

The report accurately reflected the desire of many parties to achieve some level of certainty as to what the appropriate specifications should be, as we anticipate greater reliance on liquefied natural gas and California production. The report also reflects continuing controversy as to the need for changes, as well as the implication of existing or modified specifications on safety, end-use reliability and operability, and air quality. Also critical to this discussion is the interaction between the utilities' approved gas quality rules, and the rule

promulgated by the Air Resources Board governing the quality of gas supplied for use in compressed natural gas vehicles.

We are aware that various stakeholders have been working on answers to these questions both in California and on the national level, that these discussions have been going on for some time, and that there is no clear date upon which this process will end. We are also aware that one of the challenges the stakeholders face in addressing these issues is the apparent inadequacy of research and study results available to inform an assessment of the safety, end-use performance, or air quality implications of changing the rules or keeping them as they are. In the meantime, as plans develop to build liquefied natural gas importation and regasification facilities to serve California and change the mix of gas supplies in potentially significant ways, we have before us no firm proposal for changing the existing specifications.

We need to more fully understand the implications of maintaining the status quo. Toward that end, we hereby direct Pacific Gas & Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company to prepare testimony, for introduction in this proceeding, addressing, at a minimum, the following questions:

1. Are existing gas quality specifications appropriate both in terms of existing gas supplies, and in anticipation of significant changes in the reliance on California production and the importation of liquefied natural gas? If so, how do we know that existing standards will sufficiently maintain system and customer safety; protect the reliability and performance of appliances, boilers and other end-uses; and maintain air quality?
2. If additional information is needed to answer these questions, precisely what information is needed, and how do you propose acquiring it?

3. How does the experience of other utilities receiving liquefied natural gas supplies inform your judgment? Your testimony should include a thorough critique of the experiences elsewhere in North America.
4. If you do not recommend that the specifications remain as they currently are, what specific changes do you recommend? How do you justify those changes based on current information? What additional information do you need to responsibly determine the impacts of any recommended changes on safety, end-use performance, and air quality?
5. Should the Commission adopt a single statewide set of natural gas quality specifications?
6. Do California utility natural gas specifications need to be identical to any that may be adopted by the Federal Energy Regulatory Commission (FERC)? Should the Commission wait until FERC acts or decides not to act before deciding these issues?
7. Should the Commission incorporate the Air Resources Board's compressed natural gas vehicle specifications into the utilities' gas quality tariffs?

The above-named utilities shall serve testimony addressing these issues no later than August 12, 2005. The Office of Ratepayer Advocates and intervenors shall file responsive testimony no later than September 23, 2005. The assigned administrative law judge shall set hearings, as needed, to occur soon thereafter.

IT IS SO RULED.

Dated June 7, 2005, at San Francisco, California.

/s/ SUSAN P. KENNEDY

Susan P. Kennedy
Assigned Commissioner

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioners' Ruling Revising the Schedule for Phase II to Receive Testimony and Evidence on Gas Quality Issues on all parties of record in this proceeding or their attorneys of record.

Dated June 7, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS
Elizabeth Lewis

N O T I C E

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